Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 HONG K 05361 01 OF 02 281233Z
ACTION EB-08

INFO OCT-01 EA-12 ISO-00 MMO-04 AGRE-00 SP-02 ICA-20
AID-05 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 L-03 DOE-15 SOE-02 /127 W
----------087940 281302Z /10
P R 280923Z APR 78
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC PRIORITY 132
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
USLO PEKING

UNCLAS SECTION 1 OF 2 HONG KONG 5361

E.O. 11652: N/A
TAGS: ETRD, BEXP, XX, HK
SUBJECT: TASK FORCE TO DEVELOP A NATIONAL EXPORT POLICY

REF: STATE 095673

1. CONGEN HONG KONG APPRECIATES THE OPPORTUNITY TO SUBMIT COMMENTS AND VIEWS FOR CONSIDERATION BY THE SUBJECT TASK FORCE. WITHOUT QUESTION, A NATIONAL EXPORT POLICY HAS BECOME AN IMPERATIVE FOR OUR NATION AND IS LONG OVERDUE. WE HOPE THE FOLLOWING THOUGHTS DRAWN FROM OUR OBSERVATIONS HERE WILL BE USEFUL.

2. USE OF INDUSTRY AND TRADE ASSOCIATIONS AND OTHER GROUPS. FOR PROMOTING US MANUFACTURED EXPORTS, WE WOULD LIKE TO RECOMMEND RE-ESTABLISHMENT OF USDOC'S JOINT EXPORT ASSOCIATION (JEA) PROGRAM OR SOME VA
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PAGE 02 HONG K 05361 01 OF 02 281233Z

IATION THEREOF MODELED ALONG THE LINES OF THE "COOPERATOR TRADE ASSOCIATION" PROGRAM THE DEPARTMENT OF AGRICULTURE HAS SO SUCCESSFULLY USED FOR PROMOTING US FARM EXPORRTS. THE NEW-STYLE JEA'S SHOULD OPERATE UNDER PRE-APPROVED SINGLE OR MULTIPLE-COUNTRY MARKETING PLANS WITH EACH CARRYING THEIR OWN RELENDING FACILITIES FROM EXIMBANK. IN THE CASE OF MULTI-COUNTRY PLANS, JEA MARKETING STRATEGIES WOULD SEEM PARTICULARLY

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

PERTINENT TO SUCH AREAS AS ASEAN, THE ASIAN PACIFIC AREA GENERALLY, AND TO HONG KONG WHICH IS A REGIONAL BUSINESS CENTER WITH A STRONG RE-EXPORT TRADE AND WITH SOME 300-400 US FIRMS OPERATING AS REGIONAL MARKETING HEADQUARTERS.

3. INTEGRATED REGIONAL MARKET RESEARCH. MOST OF OUR FOREIGN MARKET RESEARCH WHETHER DONE BY THE FOREIGN SERVICE, USDOC OR OUTSIDE ORGANIZATIONS IS FOR SINGLE COUNTRY MARKETS. WHAT IS ALSO NEEDED ARE MARKET SURVEYS THAT LOOK AT LARGE AREAS AS A WHOLE TO SHOW THE TOTAL MARKET OPEN TO US SUPPLIERS ACROSS A COMBINATION OF MARKET-RELATED COUNTRIES. WE ARE THINKING OF SURVEYS FOR EXAMPLE ESTAMATING AND DETAILING THE MULTI-COUNTRY MARKET OPPORTUNITIES THAT CAN BE REACHED FROM HONG KONG AND SIMILAR REGIONAL SALES AND DISTRIBUTION CENTERS. ALSO, SURVEYS THAT MEASURE THE TOTAL ASEAN MARKET, THE TOTAL ASIAN-PACIFIC MARKET, ETC. THE LARGER MARKET SCOPE SUCH INTEGRATED SURVEYS WOULD DEMONSTRATE SHOULD BE ESPECIALLY HELVFUL IN THE CAMPAIGN FOR ATTRACTING ADDITIONAL US FIRMS TO EXPORTING. THEY OF COURSE WOULD ALSO BE VALUABLE TO ESTABLISHED EXPORTERS AND TO GOVERNMENT TRADE PROMOTION PLANNING.

4. RETURNED AMERICAN PRODUCTS. ALSO SUGGESTED FOR CONSIDERATION ARE THE EXPORT GAINS THAT MIGHT BE ACHIEVED BY BROADENING THE PROVISIONS OF SECTION 807 US TARIFF SCHEDULE UNDER WHICH AMERICAN GOODS CAN BE RETURNED TO THE US DUTY-FREE. THERE IS EVIDENCE THAT HONG KONG APPAREL MANUFACTURERS WOULD PURCHASE MORE US-GROWN
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COTTON AND US-MADE BABRICS AND YARNS IF FINISHED GARMENTS CONTAINING THEM COULD ENTER THE US TARIFF FREE, IF NOT COMPLETELY THEN AT LEAST TO THE EXTENT OF US CONTENT. WITH HONG KONG GARMENT EXPORTS TO THE US NOW WELL
OVER US$1 BILLION PER YEAR THE INCREMENTAL US EXPORT SALES COULD BE SIGNIFICANT. ALSO HONG KONG IS THE WORLD'S LARGEST APPAREL EXPORTER AND ENCOURAGING VIA 807 ITS PRODUCERS TO IMPORT AND BECOME MORE ACCUSTOMED TO THE US PRODUCTS MIGHT LEAD TO ADDITIONAL PURCHASES FOR USE IN GARMENTS PRODUCED FOR EUROPEAN AND OTHER MARKETS. PRESUMABLY THERE ARE OTHER US PRODUCTS AND OTHER MARKETS WHERE SELECTIVE 807 LIBERALIZATION COULD LEAD TO INCREASED EXPORT SALES.

5. GSP - GENERALIZED SPECIAL PREFERENCE. US EXPORTS COULD BE ENCOURAGED BY CHANGES IN OUR GSP PROGRAM THAT WOULD PERMIT US PRODUCTS TO BE INCLUDED IN THE MINIMUM DOMESTIC CONTENT WITH PRODUCTS MADE IN GSP COUNTRIES MUST HAVE TO QUALIFYY FOR DUTY-FREE ENTRY INTO THE U S (SEE LETTER OCTOBER 12, 1977 VOORHEES TO RICHARD GARNITZ OIM USDOC FOR ADDITIONAL DETAIL ON THIS AND THE 807 PROPOSAL DISCUSSED IN THE PREVIOUS PARAGRAPH.)

6. ONE-STOP BUSINESS SERVICES AT EMBASSIES AND CONSULATES. CONGEN HONG KONG IS SEEKING TO MOBILIZE ITS ECONOMIC-COMMERCIAL

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

ELEMENTS (NOW OPERATING FROM SIX DIFFERENT LOCATIONS IN TWO
BUILDINGS) INTO AN ATTRACTIVE AND EFFICIENT CENTRALIZED
AMERICAN BUSINESS SERVICES CENTER IN ITS MAIN BUILDING.
WE DO NOT KNOW HOW WIDELY THIS CONCEPT IS APPLIED THROUGHOUT THE
FOREIGN SERVICE BUT SUGGEST ITS WORLDWIDE APPLICABILITY BE EXPLORED
BECAUSE OF (A) THE RESOURCES IT COULD GAIN AROUND THE WORLD
FOR THE EXPORT EXPANSION THRUST AND (B) THE PUBLICITY THAT
COULD BE GIVEN SUCH CENTERS AS A SYMBOL OF USG DETERMINATION
AND READINESS TO ASSIST AMERICAN FIRMS IN EVERY WAY POSSIBLE
TO CAPTURE AND EXPAND EXPORT MARKETS.

7. INVESTMENT. IT IS FREQUENTLY STATED THAT 25 PERCENT
OF US EXPORTS GO TO US SUBSIDIARIES ABROAD. A RECENT ISSUE
OF BUSINESS WEEK PUT THE FIGURE AS HIGH AS 50 PERCENT. US
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 HONG K 05361 01 OF 02 281233Z

SUBSIDIARIES ALSO ARE OFTEN IMPORTANT BUYERS FROM OTHER
US OVERSEAS SUBSIDIARIES. IT MAY THEREFORE BE IN THE US EXPORT
INTEREST TO SHIFT OUR CURRENT FOREIGN INVESTMENT POSTURE FROM
NEUTRAL TO A FORWARD GEAR DIRECTED AT ENCOURAGING AND ASSISTING
THE KINDS OF AMERICAN OVERSEAS INVESTMENTS THAT HAVE HEALTHY
APPETITIES FOR US CAPITAL EQUIPMENT AND RAW AND INTERMEDIATE
MATERIALS. LEVIN

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PAGE 01 HONG K 05361 02 OF 02 281251Z
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AID-05 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 L-03 DOE-15 SOE-02 /127 W
----------088236 281304Z /45
P R 280923Z APR 78
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 133
INFO AMEMBASSY BANGKOK
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Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

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UNCLAS SECTION 2 OF 2 HONG KONG 5361

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8. OBSESSION WITH SMALL BUSINESS. FOR MANY YEARS THE PRIORITY IN USDOC EXPORT PROMOTION PROGRAMS HAS BEEN OVERWHELMINGLY IN FAVOR OF SMALL AND MEDIUM-SIZED US FIRMS NEW TO EXPORT. WHILE THERE HAVE BEEN OCCASIONAL SUCCESSS STORIES THE RESULTS HAVE USUALLY BEEN AT BEST MODEST AND OFTEN NIL. WE HAVE NO QUARREL WITH THE DOMESTIC POLITICAL CONSIDERATIONS AND GOALS FOR SMALL AND MINORITY BUSINESS AND DO NOT SUGGEST EVEN FOR A MINUTE THAT THEY BE EXCLUSED FROM OUR EXPORT PROGRAMS. HOWEVER, IT WOULD BE UNREALISTIC AND FOOLHARDY TO EXPECT SUCH FIRMS IN OUR TIME TO MAKE ANYTHING BUT THE SMALLEST DENT IN A
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MASSIVE TRADE DEFICIT. INCREMENTAL EXPORTS OF THE MAGNITUDE NOW REQUIRED CAN ONLY COME FROM THE BIG WELL-ESTABLISHED US EXPORTERS, MAINLY THE 200 OR SO GIANTS THAT ACCOUNT FOR ROUGHLY 50 PERCENT OF OUR EXPORTS AND FOR MOST OF THE ANNUAL EXPORT INCREASES. OUR EXPORT SUPPORT PROGRAMS NEED TO BE GEARED TO THIS HARD FACT WITH PROVISIONS THAT ENCOURAGE GREATER ATTENTION TO SEEKING OUT NEW AND INNOVATIVE WAYS OF ASSISTING OUR LARGEST AND MOST SUCCESSFUL EXPORT FIRMS. WE NEED TO PLAY OUR WINNERS MUCH MORE THAN WE HAVE IN THE PAST.

9. SERVICE INDUSTRIES. ALTHOUGH SERVICE INDUSTRIES CAN BE SIGNIFICANT EARNERS FOR OUR BALANCE OF PAYMENTS THEY ARE WITH FEW EXCEPTIONS (SUCH AS MAJOR PROJECTS, ENGINEERING AND IN SOME COUNTRIES VISIT-USA) GIVEN SHORT CHANGE IN GOVERNMENT EXPORT PROMOTION ACTIVITIES. THIS IS BECAUSE (IN CONTRAST TO PRODUCTS) SUCH EXPORT ASSISTANCE HAS NOT BEEN TRADITIONAL, BECAUSE EXPORT SERVICE INDUSTRIES DO NOT HAVE A REAL BUREAUCRATIC HOME IN WASHINGTON AND BECAUSE STATISTICS FOR MONITORING AND MEASURING RESULTS IN COUNTRY PROMOTIONS ARE DIFFICULT AND OFTEN IMPOSSIBLE TO COLLECT. WE BELIEVE SIGNIFICANT OPPORTUNITIES ARE BEING MISSED AND THAT WAYS SHOULD BE SOUGHT FOR OVERCOMING THE OBSTACLES AND FOR DEVELOPING AND INDSTITUTIONALIZING VEHICLES FOR PROMOTING SUCH IMPORTANT SERVICES AS INSURANCE, ADVERTISING, TRAVEL, BANKING, PORTFOLIO INVESTMENT, ACCOUNTING, CONSULTANT SERVICES, HOTELS, SHIPPING, LEGAL, MARKET RESEARCH, ETC. NOT TO BE OVERLOOKED IN THIS IS THE STIMULATIVE EFFECT SOME SERVICE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

INDUSTRIES CAN HAVE ON US PRODUCT EXPORTS.

10. REPRESENTATION. REPRESENTATION FUNDS AVAILABLE TO
COMMERCIAL OFFICERS HAVE BEEN QUITE ADEQUATE IN RECENT YEARS AT
THIS POST AND PRESUMABLY OTHERS. HOWEVER, STILL LACKING
COMPLETELY ARE FUNDS FOR PURCHASING MEMBERSHIPS IN BUSINESS CLUBS
FREQUENTED BY LOCAL BUSINESS LEADERS AND WHERE SIGNIFICANT
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PAGE 03 HONG K 05361 02 OF 02 281251Z

BUSINESS IS DISCUSSED AND OFTEN DECIDED. WHETHER IN HONG KONG
OR ELSEWHERE, EXTREMELY VALUABLE EXPORT CONTACT WORK CAN BE DONE
BY COMMERCIAL OFFICERS AT SUCH CLUBS. UNFORTUNATELY, MOST OF
THEM HAVE ENTRY FEES AND MONTHLY DUES BEYOND THE POCKETBOOKS
OF OUR COMMERCIAL OFFICERS, PARTICULARLY GIVEN THE RELATIVELY
SHORT PERIODS THEY SERVE AT POSTS AND THE FACT THAT THE
CLUBS AS "BUSINESS" CLUBS, DO NOT ALWAYS HAVE FIRMLY
FACILITIES. MANY GOVERNMENTS RECOGNIZE THE IMPORTANCE OF
THESE MEMBERSHIPS TO THEIR EXPORT EXPANSION PROGRAMS AND
PROVIDE FUNDS FOR THEM. THE USG SHOULD DO THE SAME.

11. TAX AND OTHER LEGISLATION AND REGULATIONS. AS MOST OF
THE ISSUES UNDER THIS CAPTION HAVE BEEN WIDELY DISCUSSED
IN THE BUSINESS PRESS AND ELSEWHERE, WE ARE LIMITING
OUR COMMENTS TO A SUGGESTION THAT ALL PENDING AND EXISTING
LEGISLATION AND REGULATIONS BE THOROUGHLY REVIEWED TO
ASSURE THEY ARE BENEFICIAL TO EXPORTS AND PLACE THE USG
IN THE POSITION OF AN ENCOURAGING PARTNER IN THE OVERSEAS
MARKETING EFFORTS OF AMERICAN INDUSTRY AND COMMERCE.

12. THE PEOPLES REPUBLIC OF CHINA. PENDING A REPLY TO
REFTEL BY USLO-PEKING WE HAVE NOT COMMENTED IN THIS
MESSAGE ON THE EFFECTS OF THE ABSENCE OF DIPLOMATIC
RECOGNITION, THE FORZEN ASSETS ISSUE, EXPORT CONTROL, ETC
ON US-PRC TRADE. HOWEVER, THE DEPARTMENT WILL HAVE SEEN
RELEVANT COMMENTS BY USLO IN ITS 0267 ON US COMMERCIAL
OBJECTIVES IN CHINA DURING 1978.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, EXPORTS, INTERAGENCY COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 28 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978HONGK05361
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780182-0156
Format: TEL
From: HONG KONG
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t1978046/aaaaaekp.tel
Line Count: 265
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: 6b6aa1b0-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 STATE 95673
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2976792
Secure: OPEN
Status: NATIVE
Subject: TASK FORCE TO DEVELOP A NATIONAL EXPORT POLICY
TAGS: ETRD, BEXP, XX, HK
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/6b6aa1b0-c288-dd11-92da-001cc4696bcc
Review Markings:
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20 Mar 2014
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